



## **Clean Renewable Energy Bonds (CREBs) - Frequently Asked Questions (FAQs)**



### **What are CREBs?**

CREBS are Clean Renewable Energy Bonds, a financing tool available to public power providers, electrical cooperatives, and governmental entities for electricity producing renewable energy projects. CREBS are allocated by the Internal Revenue Service (IRS).

### **What types of renewable energy technologies are eligible?**

The following electricity producing facilities are eligible for CREBS:

- Wind
- Closed-loop biomass
- Open-loop biomass
- Geothermal
- Solar
- Small irrigation power
- Landfill gas
- Trash combustion
- Hydropower
- Marine and hydrokinetic renewable energy

### **Is this a new program?**

CREBs were first introduced under the federal Energy Tax Incentives Act of 2005. In the first round, the IRS allocated \$800Million in CREBs. They did one additional round in 2007 allocating \$400Million more in CREBs. Under the federal American Reinvestment and Recovery Act (ARRA), the New CREBs program provides \$2.4Billion.

### **How do CREBs work?**

CREBS are zero (or low) interest bonds. The recipient of the CREBs is allocated a zero (or low) interest loan for financing their project, and the bond purchaser is able to claim federal tax credits by owning the bonds in lieu of receiving interest payments.

### **How is the New CREBs program different from the previous CREBs programs?**

Under CREBs, investors receive a federal tax credit each year in lieu of being paid an interest from the borrower. In contrast to the previous programs, the bond purchaser can claim a 70% tax credit, whereas previously they could claim a 100% tax credit. It is anticipated that borrowers will need to pay some additional interest with new CREBs but it is difficult to predict what that rate will be until New CREBs are issued.

### **Are there any costs/fees associated with this financing tool?**

You can be expected to pay legal and bank fees. The New CREBs program does not allow the recipient to use any funds for administrative costs, 100% of the allocation must be used towards capital costs.

**How does the IRS make its decision?**

Given a complete application with an eligible project and applicant, the IRS awards CREBS based on the smallest request to the largest request. The largest project awarded in the first round was \$3.2M. The largest project awarded in the second round was \$2.95M. These should be used as general guidance when making a request. There is significantly more funding available in this round than for previous rounds, but there may be more applications, so it is difficult to predict what the largest project award will be.

The authorizing legislation stipulates that total allocation will be split into thirds between the public power providers, electrical cooperatives, and governmental entities.

**How can I apply?**

- Complete the application: be sure to include *all* required and necessary documents
- Submit a hard copy in duplicate along with a copy in electronic format on CD to:  
Internal Revenue Service  
TEB CREBs Allocations  
1122 Town & Country Commons  
St. Louis, Missouri 63017
- Deadline is August 4, 2009

**For further IRS Information:**

- April 27, 2009 IRS Bulletin, *New Clean Renewable Energy Bonds Application Solicitation and Requirements*

[http://www.irs.gov/irb/2009-17\\_IRB/ar06.html](http://www.irs.gov/irb/2009-17_IRB/ar06.html)

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